

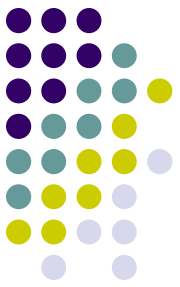


RIPEN and GRENT

“Determinants of Supply and Demand”

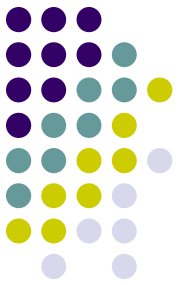
Determinants of Demand

(Things that shift the entire line!)



- **R**elated goods (Complements and Substitutes)
 - Complements: if **price of complement increases**, demand **for the other good decreases**; if **price of the complement decreases**, demand **for the other good increases**
 - Substitutes: if **price of substitute increases**, demand **for other good increases**; if **price of substitute decreases**, demand **for other good decreases**
- **I**ncome — income increases, demand increases; income decreases, demand decreases
- **P**references — preferences increase, demand increases; preferences decrease, demand decreases
- **E**xpectations — expect **higher** prices in *future*, *current* demand increases expect lower prices in *future*, *current* demand decreases
- **N**umber of buyers — # of buyers increase, demand increases; # of buyers decrease, demand decreases

Determinants of Supply (Entire Line)



- **G**overnment decisions
 - TAXES – taxes increase, supply decreases; taxes decrease, supply increases
 - SUBSIDIES – subsidies increase, supply increases; subsidies decrease, supply decreases
 - REGULATIONS – regulations increase, supply decreases; regulations decrease, supply increases
- **R**esource prices or availability -
 - resource prices have an inverse relationship with supply
 - resource availability has a direct relationship with supply
- **E**xpectations – expect to sell more, supply increases; expect to sell less, supply decreases; expect to sell at future higher prices, immediate supply decreases.
- **N**umber of producers – direct relationship to supply
- **T**echnology or training – direct relationship to supply